



Agency Priority Goal Action Plan

Decrease Unemployment Insurance Improper Payments

Goal Leaders:

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Overview

Goal Statement

- By September 30, 2021, the Unemployment Insurance (UI) improper payment rate will be 9.0 percent.

Background

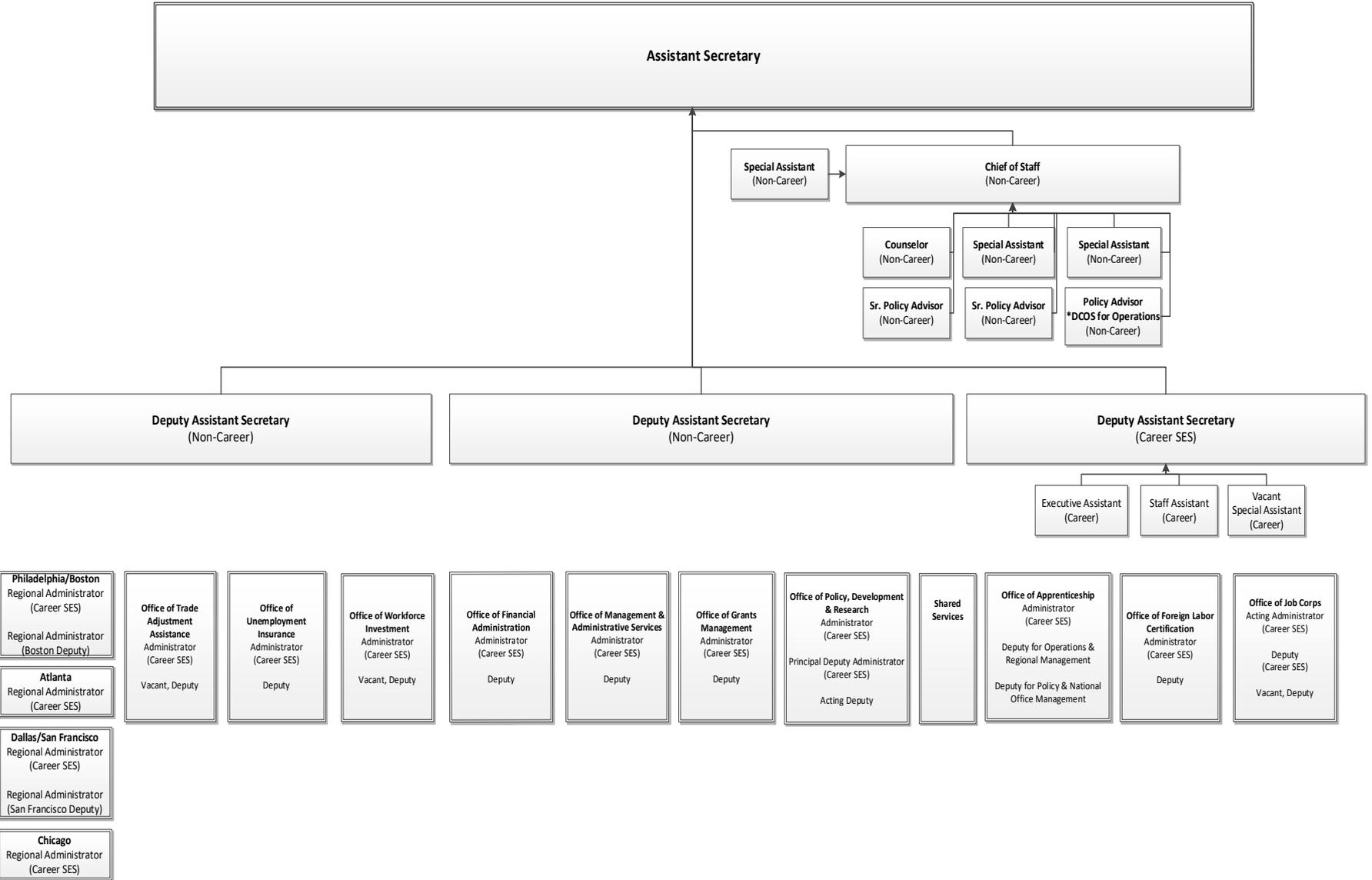
- The UI program is a federal-state partnership. Although the Department of Labor (DOL) has oversight responsibility for the program nationally, each of the 53 states/territories operates and administers its own UI programs in accordance with its state laws and pays benefits from the UI taxes collected from employers. Only states can directly prevent, detect, and recover improper payments. Additional information about the program is provided at the end of this document.
- Since 2015, the UI improper payment rate has been well above the 10 percent threshold and steadily increasing. For 2018, the DOL reported an estimated improper payment rate of 13.05 percent (or \$3.74 billion) of UI benefits paid. However, in 2019, the Department made considerable progress as the estimated UI improper payment rate decreased to 10.61 percent (or \$2.85 billion) of UI benefits paid, a 19 percent reduction in the improper payment rate.

Overview, Cont'd.

Background

- The UI program has three primary root causes of improper payments:
 - Work Search — failure of claimants to comply with state work search requirements;
 - Benefit Year Earnings — payments to individuals who continue to claim benefits after they have returned to work and fail to report earnings; and
 - Separations — failure of employers or their third-party administrators to provide timely and accurate information on the reason for an individual's separation from employment.
- ETA continues to aggressively work with states to implement a dynamic Integrity Strategic Plan that includes strategies and actions to address the leading root causes of UI improper payments and fraud. The plan is continuously updated and evolves as new corrective actions and strategies are identified.
- Given the COVID-19 public health emergency and the three new unemployment insurance programs contained in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the UI program has adjusted and reinforced its existing focus on program integrity and improper payments.

Leadership



Strategies

By September 30, 2021:

- The Employment and Training Administration (ETA) will aggressively work with states to identify and implement strategies to prevent and detect UI improper payments and fraud and reduce the UI improper payment rate.
- Targeted technical assistance will continue to be provided to 11 identified “High-Rate/High-Impact” states that have high improper payment rates and significantly affect the national UI improper payment rate.
- The UI Integrity Center will develop and provide additional tools, resources, and consultation services to states aimed at preventing and detecting fraud and identity theft, and recovering improper payments.
- All states are required to submit Integrity Action Plans as part of the biennial State Quality Service Plan with integrity strategies addressing state-specific root causes of improper payments.
- The Integrity Data Hub (IDH) will expand the data sources available for state cross matching including a new Identity Verification (IDV) data source, multi-state claims data, and prisoner data.
- The number of states using one or more of the IDH data sources for cross matching on a regular basis will increase.

Strategies, Cont'd.

By September 30, 2021:

- The UI National Integrity On-line Training Academy training modules and certifications will be accessed by state staff to support improved program integrity and reduction in UI fraud and improper payments.
- A webinar series for state staff will highlight effective state strategies and promote state adoption and replication.
- High-level state leadership engagement will continue to ensure state focus on developing and implementing strategies to reduce the UI improper payment rate.
- States will implement new messaging tools using behavioral science techniques designed to improve improper payment root causes.
- The UI Integrity Center's Integrity Knowledge Exchange will be promoted to states as a resource for program integrity information, tools, and promising practices. A series of webinars will be hosted annually by the UI Integrity Center to highlight available resources and feature state best practices.
- Implementation/expansion of the State Information Data Exchange System (SIDES) will be actively marketed and promoted. Increase state and employer/Third Party Administrator participation in the use of additional SIDES exchanges by 15 percent.

Strategies, Cont'd.

By September 30, 2021:

- A model state work search law and framework that supports rapid reemployment and claimant compliance with targeted, aggressive work search requirements, including documentation, will be rolled out and promoted.
- Pursue dedicated state funding in the FY 2021 budget to address top causes of UI improper payments – work search and benefit year earnings.

Summary of Progress – FY 2020, Quarter 3

- The impact of COVID-19 on the UI system may delay the attainment of this goal. States have diverted all available staff and information technology resources to address the unprecedented claims workload, and implement the UI programs under the CARES Act of 2020. With scarce availability of resources, states have had to reprioritize their work to primarily support taking and processing claims. Therefore, the Department anticipates delays in meeting the original milestones for some of the strategies planned, and targets set for the UI improper payment rate for FYs 2020 and 2021.
- Due to the Department's and states' focus on implementing the new UI programs under the CARES Act, ETA temporarily suspended Quarter 3 calls with each of the designated High-Rate/High-Impact states to monitor their performance and progress in implementing identified strategies. These calls will resume in Q4.
- The UI Integrity Center's intensive services to High Rate/High Impact states were paused during Quarter 3 due to states' focus on implementing the new UI programs under the CARES Act. However, to address the influx of emerging fraud schemes and identity theft in the UI program, the UI Integrity Center focused on providing virtual consultation services to states to combat fraud. Currently, 11 states are receiving targeted technical assistance to implement strategies to prevent and reduce fraud. The virtual fraud technical assistance services to states will continue during the next quarter and through FY 2021. The UI Integrity Center's intensive services to High Rate/High Impact states will resume in FY 2021.

Summary of Progress – FY 2020, Quarter 3, Cont'd.

- The model state work search law/framework and Training and Employment Notice No. 17- 19 was issued on February 10, 2020. Letters from the Assistant Secretary also transmitted these documents to Administrators of State UI Agencies.
- Issuance of letters from the Deputy Secretary to each of the state governors to inform them of their state's improper payment rate, share updates on DOL's activities, and request their continued diligence in adopting effective strategies to prevent, detect, and recover UI improper and fraudulent payments has been postponed due to the Department's and states' focus on implementing the new UI programs under the CARES Act.
- In June 2020, the UI Integrity Center completed a pre-recorded webcast on the recommended operating procedures for new hire cross-matching and will showcase state best practices. This webcast is now accessible to state staff through the UI Integrity Center library. This webcast replaces originally planned live webinars.
- The UI Integrity Center awarded a contract on March 7, 2020 to procure access to an IDV dataset for implementation through the IDH. The UI Integrity Center completed internal connectivity testing of the dataset and began testing with two states in June, 2020. Eight states have enrolled to begin testing and implementation of the IDV data set.

Summary of Progress – FY 2020, Quarter 3, Cont'd.

- UI Integrity Center developed and disseminated a Top Integrity Practices and Solutions (TIPS) Sheet promoting the Integrity Data Hub, Fraud Alert System and conducted weekly conference calls with states to share information regarding fraudulent activities in the UI system and strategies to address them.
- The estimated UI improper payment rate for the 12-month period ending March 31, 2020 is estimated at 9.57* percent and is above the established FY 2020 target of 9.5 percent, but trending well below the 10.61 percent reported for the 12-month period ending June 30, 2019. ETA continues to work collaboratively with states and the UI Integrity Center to implement the comprehensive strategic plan to prevent improper and fraudulent payments and reduce the UI improper payment rate.

*UI improper payment rate is preliminary and subject to change.

Key Milestones

| Milestone Summary | | | | | |
|--|--------------------|------------------|--------------------------|-------|--|
| Key Milestone | Milestone Due Date | Milestone Status | Change from last quarter | Owner | Comments |
| High Rate-High Impact states will continue to receive intensive technical assistance services provided by the UI Integrity Center | varies | Paused | N/A | ETA | Technical Assistance services are delayed due to state focus on UI program activities under the CARES Act. |
| The UI Integrity Center will provide consultation services and targeted technical assistance to states to prevent and detect fraud, and recover improper payments | varies | In Progress | N/A | ETA | Currently, 11 states are receiving targeted fraud technical assistance. |
| A Training and Employment Notice will transmit the model state work search law and framework to states | 2/28/2020 | Complete | N/A | ETA | N/A |
| Governors will receive letters from the Deputy Secretary providing a status on their state's efforts to reduce its UI improper payment rate | 3/31/2020 | Postponed | N/A | ETA | New milestone date is not available. |
| Webinars will be offered to states on the recommended operating procedures for new hire cross-matching and will showcase state best practices. Provide ongoing technical assistance to states on the National Directory of New Hires (NDNH) cross-match recommended operating procedures. | 9/30/2020 | In Progress | N/A | ETA | Completed the webcast in June, 2020. |
| Quarterly calls are held to monitor progress with each of the High Rate-High Impact states | 9/30/2020 | In Progress | N/A | ETA | Q3 calls suspended, resuming calls in Q4 |
| A minimum of 9 states will implement an identity verification tool deployed through the UI Integrity Center's Integrity Data Hub | 9/30/2020 | In Progress | N/A | ETA | State take-up may be delayed due to focus on UI program activities under CARES Act. |
| A series of webinars will be hosted by the UI Integrity Center through the Integrity Knowledge Exchange Library to highlight available resources and feature state best practices | 9/30/2020 | In Progress | N/A | ETA | N/A |

Key Milestones, Cont'd.

| Milestone Summary | | | | | |
|--|--------------------|------------------|--------------------------|-------|--|
| Key Milestone | Milestone Due Date | Milestone Status | Change from last quarter | Owner | Comments |
| Promote states' use of the Fraud Alert system and encourage participation in the conference calls conducted by the UI Integrity Center to discuss emerging fraud schemes and strategies to address them. | 12/31/2020 | In Progress | N/A | ETA | UI Integrity Center disseminated TIPS Sheet on Fraud Alert System and is conducting weekly conference calls to discuss fraud schemes and strategies to address them. |
| A toolkit featuring effective work search behavioral strategies will be finalized and rolled out to states | 6/30/2021 | In Progress | N/A | ETA | N/A |
| A SIDES training seminar will be conducted for states, employers, and third party administrators to increase state and employer/third party administrator participation in the use of additional SIDES exchanges by 15 percent | 6/30/2021 | In Progress | N/A | ETA | N/A |
| At least 30 states will have implemented an identity verification tool deployed through the IDH | 9/30/2021 | In Progress | N/A | ETA | N/A |
| At least 30 states will be actively transmitting and receiving data through the Suspicious Actor Repository (SAR) exchange deployed through the Integrity Data Hub | 9/30/2021 | In Progress | N/A | ETA | N/A |
| A webinar will be hosted for states featuring promising practices on the use of SAR and IDV solution | 9/30/2021 | In Progress | N/A | ETA | N/A |

Key Indicators

Improper Payment Rate*

Baseline Results (FY 2019): 10.61%

Target Goal for FY 2020: 9.5%

Target Goal for FY 2021: 9.0%

FY 2020 – Q1 Results: 10.05%**

FY 2021 – Q1 Results: TBD

FY 2020 – Q2 Results: 9.86%***

FY 2021 – Q2 Results: TBD

FY 2020 – Q3 Results: 9.57%#

FY 2021 – Q3 Results: TBD

FY 2020 – Q4 Results: TBD

FY 2021 – Q4 Results: TBD

*All results are estimated through the Benefit Accuracy Measurement survey and reflect a 12-month reporting period.

**Q1 results reflect 12-month reporting period ending September 30, 2019.

***Q2 results reflect 12-month reporting period ending December 31, 2019.

Q3 results are preliminary, and reflect the estimated rate for the 12-month reporting period ending March 31, 2020.

Data Accuracy and Reliability

- **Means used to verify and validate measured values:** State Benefit Accuracy Measurement (BAM) staff investigate the accuracy of each paid week sampled to determine if all eligibility requirements are met and the claim is properly paid. These investigation outcomes are further validated by state BAM supervisors. Additionally, ETA UI staff (Regional and National) conduct state peer reviews of state audits to ensure the accuracy of the state BAM audit results.
- **Sources for the data:** The BAM statistical survey is used to estimate the improper payment rate at the national and state levels. State BAM samples are randomly selected from the population of State UI, Unemployment Compensation for Federal Employees, and Unemployment Compensation for Ex-Servicemembers payments issued by the state each week. Based on the results of the state BAM audits, the estimated improper payment rates are computed nationally and by state. The amounts that were paid, overpaid, and underpaid are coded for each sample payment and weighted to represent the population of UI claims for all 52 weekly samples in all 52 state workforce agencies participating in BAM (U.S. Virgin Islands is excluded due to its size).
- **Level of accuracy required for the intended use of the data:** ETA waits until states complete 99 percent of the sampled cases prior to generating the annual improper payment results. Additionally, as required by the Office of Management and Budget, ETA follows the requirement of a 95 percent confidence interval of no more than +/- 3 percent for the estimated improper payment rate.

Data Accuracy and Reliability, Cont'd.

- **Limitations to the data at the required level of accuracy:** Estimates based on BAM data are subject to sampling and non-sampling errors that can affect survey data. Sampling error reflects the variability of the estimate due to the fact that only a portion of the population is sampled and audited. Non-sampling error includes operational issues such as failure to include all UI payments in the sampling frame, misapplication of UI law and policy by the BAM auditors, and data entry errors.
- **How the agency has compensated for such limitations, if needed, to reach the required level of accuracy:** ETA has implemented several quality assurance procedures within the BAM program for reducing non-sampling errors, such as alerts for incomplete or improper sampling frames, system edits to identify interpretation, and/or data entry errors to end users recording audit results into the system.

Additional Information

UI Integrity Center

ETA collaborates with the UI Integrity Center to collect and disseminate state best practices, develop tools and resources to support reduction of the UI improper payment rate, provide consultative services to states to develop strategies to reduce fraud and improper payments, operate the IDH that provides states with access to data sources to increase prevention and detection of improper payments and fraud, and provide on-line integrity training for state staff.

Federal Policies and Guidance

Under the Social Security Act and the Federal Unemployment Tax Act, the UI program is established as a joint federal-state program. States are required to administer the UI program in conformity with federal requirements including the prevention, detection, and recovery of improperly paid UI benefits.

The requirement to reduce improper payments in the UI program is established in the following laws, policies, and guidance:

- Improper Payment Information Act of 2002 (IPIA), 31 U.S.C. 3321;
- Improper Payment Elimination and Recovery Act of 2010 (IPERA), 31 U.S.C. 3301;
- Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), 31 U.S.C. 3321; and
- Office of Management and Budget (OMB) Memorandum M-18-20, *Requirements for Payment Integrity Improvement, Appendix C to OMB Circular 123* (June 26, 2018).

Additional Information, Cont'd.

Structural Barriers and Challenges

A number of statutory requirements impose challenges to reducing UI improper payments:

- **Federal-State Partnership:** Each state administers the UI program according to its own laws and policies, which must conform to broad federal requirements. Improper payment rates often reflect differences in state laws. Additionally, states have bottom-line authority to set operational priorities. DOL has limited authority to ensure states use their funding to pursue improper payment rate reduction activities.
- **Statutory requirements to pay “when due” and to provide due process prior to stopping benefit payments:** Federal UI law includes structural, but essential, program features that substantially contribute to the UI improper payment rate. Section 303(a)(1) of the Social Security Act requires UI benefit payments to be made “when due” and prohibits states from suspending payments until an official determination has been made that payments are no longer due. This statutory structural feature legally requires states to make payments based upon available evidence that may be later detected as improper as a result of obtaining new information. When a claimant has been initially determined eligible and is in continued claims status, there is a presumption of continued eligibility until a claimant is provided due process, which requires notice and the opportunity to be heard prior to stopping payment of benefits.

Additional Information, Cont'd.

- **Delays in receiving separation information:** The requirement to pay “when due” also creates improper payments at the time of initial claim for benefits when states must request information from employers on the reason for the applicant’s reason for separation from employment. If states are unable to get timely and accurate information from employers, they are legally required to make a determination on the available information and proceed to make payments if the applicant is found otherwise eligible.
- **Lags in available data to prevent improper payments:** State and national directories of new hires are the primary data sources to determine when a claimant has returned to work. This data is not available for at least six weeks, making it impossible to prevent many improper payments.

Additional Information, Cont'd.

- **State Resource Priorities and Capacity:** In recent years state staffing resources have been negatively impacted in two ways. First, administrative funding for states' UI program operations is based on projected workloads and, most importantly, weeks claimed. The decline in workload for the extended period prior to COVID-19 resulted in a reduction of administration funding, creating a challenge for states to adequately staff their UI program operations. This lack of capacity significantly impacted states' ability to manage program integrity operations that are staff intensive, such as being able to independently validate cross-match hits and conduct random work search audits. Second, state agencies' employees who leave through normal attrition or retirements are often replaced by less experienced staff. Budget pressures have resulted in reduced training, further contributing to the decrease in skilled staff who can accurately administer the relatively complex UI program. With the spike in claims due to COVID-19, state administrative funding is significantly increasing, but states continue to struggle with capacity due to the extraordinary workload.

Additional Information, Cont'd.

- **Information Technology (IT) Capacity:** State IT capacity has been strained by the decline in program administration funding provided to states to effectively operate the UI program, and further strained by implementation of the new CARES Act UI programs. While the UI program has invested in targeted consortia grants to address outdated UI systems, states generally have reported a lack of adequate IT resources available for integrity functions. Additionally, many state systems are several decades old and cannot be easily adapted to new improper payment detection methods, such as generating follow-up communications with claimants and employers to verify claim information. ETA will work collaboratively with the Department's Office of the Chief Information Officer (OCIO) and the UI Information Technology Support Center to explore, leverage, and support the implementation of technology solutions for states that improve overall program integrity, payment accuracy and reduce improper payments and fraud.

Additional Information, Cont'd.

UI Integrity Legislative Proposals

Since FY 2018, the Department has included legislative proposals to improve UI system integrity in each of the President's budget requests. The proposals include the following:

- Require states to use the State Information Data Exchange System;
- Require states to cross match against the National Directory of New Hires;
- Allow the Secretary of Labor to require states to implement corrective actions related to performance and integrity;
- Require states to cross match with the Social Security Administration's prisoner database or other repositories of prisoner information;
- Allow states to retain five percent of UI overpayment recoveries for program integrity use; and
- Require states to use UI penalty and interest collections solely for UI administration.

In addition, the FY 2020 President's Budget included additional statutory proposals that would support state access to more effective data sources and tools to prevent and detect improper payments, including a new proposal to require states to use the IDH developed by the UI Integrity Center.

To date, none of these legislative proposals has been enacted. The Department has included these legislative proposals in its FY 2021 Congressional Budget Justification.